

DAVIS COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

DAVIS COUNTY, IOWA

TABLE OF CONTENTS
JUNE 30, 2015

<u>Officials</u>		<u>Page</u> 1
<u>Independent Auditor's Report</u>		2-3
<u>Management's Discussion and Analysis</u>		4-9
<u>Basic Financial Statements:</u>	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	10
Statement of Activities	B	11
Governmental Fund Financial Statements:		
Balance Sheet	C	12-13
Reconciliation of the Balance Sheet – Governmental Funds to the		
Statement of Net Position	D	14
Statement of Revenues, Expenditures and Changes in		
Fund Balances	E	15-16
Reconciliation of the Statement of Revenues, Expenditures and Changes		
in Fund Balances – Governmental Funds to the Statement of Activities	F	17
Proprietary Fund Financial Statements:		
Statement of Net Position	G	18
Statement of Revenues, Expenses and Changes in		
Fund Net Position	H	19
Statement of Cash Flows	I	20
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	21
Notes to Financial Statements		22-40
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes		
in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		41
Budgetary Comparison Schedule - Budget to GAAP Reconciliation		42
Notes to Required Supplementary Information – Budgetary Reporting		43
Schedule of the County's Proportionate Share of the Net Pension Liability		44
Schedule of County Contributions		45
Notes to Required Supplementary Information – Pension Liability		46
Schedule of Funding Progress for the Retiree Health Plan		47
<u>Supplementary Information:</u>	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48-49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	50-51
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	52-55
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	56-59
Schedule of Revenues by Source and Expenditures by Function –		
All Governmental Funds	5	60-61
Schedule of Expenditures of Federal Awards	6	62
<u>Independent Auditor's Report on Internal Control Over Financial Reporting and on</u>		
<u>Compliance and Other Matters Based on an Audit of Financial Statements Performed</u>		
<u>in Accordance with Government Auditing Standards</u>		63-64
<u>Independent Auditor's Report on Compliance for Each Major Federal Program and on</u>		
<u>Internal Control over Compliance Required by OMB Circular A-133</u>		65-66
<u>Schedule of Findings and Questioned Costs</u>		67-69

DAVIS COUNTY, IOWA

OFFICIALS

<u>Name</u>	(Before January 2015) <u>Title</u>	<u>Term Expires</u>
Ron Bride	Board of Supervisors	January 2015
Dale Taylor	Board of Supervisors	January 2017
Matt Greiner	Board of Supervisors	January 2015
Linda Humphrey	County Auditor	January 2017
Rodger Simmons	County Treasurer	January 2015
Megan Clyman	County Recorder	January 2015
Dave Davis	County Sheriff	January 2017
Rick Lynch	County Attorney	January 2015
Lois Heckethorn	County Assessor	January 2016

<u>Name</u>	(After January 2015) <u>Title</u>	<u>Term Expires</u>
Ron Bride	Board of Supervisors	January 2019
Dale Taylor	Board of Supervisors	January 2017
Matt Greiner	Board of Supervisors	January 2019
Linda Humphrey	County Auditor	January 2017
Mike Johnson	County Treasurer	January 2019
Megan Clyman	County Recorder	January 2019
Dave Davis	County Sheriff	January 2017
Rick Lynch	County Attorney	January 2019
Lois Heckethorn	County Assessor	January 2016

INDEPENDENT AUDITOR'S REPORT

To the Elected Officials of
Des Moines County, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Davis County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Davis County, Iowa's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Davis County, Iowa, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements, Davis County, Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of the county's proportionate share of the net pension liability, the schedule of county contributions and schedule of funding progress for the retiree health plan on pages 4 through 9 and 41 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davis County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the six years ended June 30, 2011 (which are not presented herein) were audited by other auditors, who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2016, on our consideration of Davis County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Davis County, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
January 25, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Davis County, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- ◆ County revenue increased 9.3%, or \$707,548 from fiscal year 2014 to 2015. This increase was primarily due to an increase in capital grants received by the secondary roads department.
- ◆ County program expenses decreased 1.1%, or \$75,767 in fiscal year 2015 compared to 2014. This increase was primarily due to an increase in expenses in the roads and transportation function.
- ◆ The County's net position increased 9.4%, or \$1,208,809, during the year ended June 30, 2015. This increase was primarily due to an increase in revenues.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Davis County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Davis County, Iowa's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Davis County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. A proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for Agricultural Extension Education, E911 and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net position for governmental activities.

Net Position of Governmental Activities

	June 30, 2015	June 30, 2014, <u>As restated</u>
Current and other assets	\$ 7,250,229	\$ 7,174,235
Capital assets	<u>12,239,829</u>	<u>11,198,063</u>
Total assets	<u>19,490,058</u>	<u>18,372,298</u>
Deferred outflows of resources	<u>268,297</u>	<u>196,765</u>
Long-term liabilities	1,438,887	2,182,644
Other liabilities	<u>420,565</u>	<u>370,863</u>
Total liabilities	<u>1,859,452</u>	<u>2,553,507</u>
Deferred inflows of resources	<u>3,846,482</u>	<u>3,171,944</u>
Net position:		
Net investment in capital assets	12,152,299	10,946,915
Restricted	2,684,551	2,656,253
Unrestricted	<u>(784,429)</u>	<u>(759,556)</u>
Total net position	\$ <u>14,052,421</u>	\$ <u>12,843,612</u>

Net position of the County's governmental activities increased by 9.4% (\$14,052,421 compared to \$12,843,612). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased from \$(759,556) at June 30, 2014 to \$(784,729 at June 30, 2015, a decrease of 3.3%.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$1,339,428 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for pension expense and deferred inflows of resources were not restated and fiscal year 2013 financial statement amounts for net pension liability and deferred outflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Changes in Net Position of Governmental Activities

	June 30, 2015	June 30, 2014, <u>Not restated</u>
Revenues:		
Program revenues:		
Charges for service	\$ 408,245	\$ 382,902
Operating grants, contributions and restricted interest	2,796,245	2,880,064
Capital grants, contributions and restricted interest	1,253,895	525,446
General revenues:		
Property and other County tax	2,969,524	2,930,187
State tax credits	245,749	190,272
Penalties and interest on property tax	40,963	40,865
Local option sales tax	514,726	523,457
Unrestricted investment earnings	16,775	21,090
Other general revenues	<u>102,784</u>	<u>147,075</u>
Total revenues	<u>8,348,906</u>	<u>7,641,358</u>

Expenses:

Public safety and legal services	1,083,358	1,153,594
Physical health and social services	270,870	302,027
Mental health	332,250	417,655
County environment and education	449,458	459,399
Roads and transportation	3,780,644	3,699,134
Governmental services to residents	348,170	338,713
Administration	865,881	831,067
Interest on long-term debt	9,466	14,275
Total expenses	<u>7,140,097</u>	<u>7,215,864</u>
Change in net position	1,208,809	425,494
Net position – Beginning of year, as restated	<u>12,843,612</u>	<u>13,757,546</u>
Net position – End of year	\$ <u>14,052,421</u>	\$ <u>14,183,040</u>

The results of governmental activities for the year resulted in Davis County, Iowa's net position increasing by \$1,208,809. Revenues for governmental activities increased by \$707,548 from the prior year, including increases in capital grants, contributions and restricted interest. Expenditures decreased by \$75,767 including decreases in mental health and public safety and legal services expenses.

The cost of all governmental activities this year was \$7,140,097 compared to \$7,215,864 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities was only \$2,681,712 because some of the cost was paid by those directly benefiting from the programs or by other governments and organizations that subsidized certain programs with grants and contributions of \$4,458,385.

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$3,128,888, which is an decrease of \$94,566 from last year's total of \$3,223,454.

- General Fund revenues decreased by and expenditures increased by 4.3% and 1.7%, respectively, when compared to the prior year. The ending fund balance showed a decrease from the prior year of \$234,891 from \$1,211,713 to \$976,822.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$333,421, a decrease of 20.2% from the prior year. The Mental Health Fund balance at year end increased by \$91,315 (\$2,916 in the prior year) due to decreased expenditures.
- Rural Services Fund transfers out increased \$98,912 from the previous year and its ending fund balance decreased from the prior year by \$236,225 (decrease of \$196,888 in the prior year) to \$187,713.
- Secondary Roads Fund transfers in increased by \$79,644 from the prior year. As a result, there was an increase in the Secondary Roads Fund ending balance of \$278,969 (\$224,565 in the prior year), or 24.9%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Davis County, Iowa amended its budget three times. The first amendment was made on December 29, 2014, the second amendment was made on May 26, 2015, and the final amendment was made on June 1, 2015. These amendments resulted in increases in budgeted disbursements in certain County departments. During the year ended June 30, 2015, the County did not exceed the amount budgeted.

The County's receipts were \$8,863 more than budgeted. Actual receipts for intergovernmental and property and other county tax were \$34,933 and \$20,872, respectively, more than budgeted and charges for service and miscellaneous receipts were \$14,239 and \$39,804 less than budgeted.

Total disbursements were \$1,412,532 less than the amended budget. Actual disbursements for county environment and education and roads and transportation functions were \$434,828 and \$276,312, respectively, less than budgeted.

Even with these amendments, the County underspent original budgeted expenditures of \$7,733,500 by \$92,015 for the year ended June 30, 2015.

CAPITAL ASSETS AND LONG-TERM LIABILITIES ADMINISTRATION**Capital Assets**

At June 30, 2015, Davis County, Iowa had \$12,239,829 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, and roads and bridges. This amount represents a net increase (including additions, deletions and depreciation) of \$1,041,766 or 9.3% more than the prior year. The majority of this increase was due to more infrastructure additions compared to depreciation expense in the current year.

Capital Assets of Governmental Activities at Year End

	June 30, <u>2015</u>	June 30, <u>2014</u>
Land	\$ 1,040,791	\$ 1,040,791
Construction in progress	460,056	282,273
Buildings (net)	1,363,073	1,393,774
Machinery and equipment (net)	538,880	447,133
Infrastructure (net)	<u>8,837,029</u>	<u>8,034,092</u>
Totals	\$ <u>12,239,829</u>	\$ <u>11,198,063</u>
The year's major additions included:		
Construction in progress	\$ 460,056	\$ 282,273
Buildings	25,150	-
Machinery and equipment	215,214	40,996
Infrastructure	<u>764,023</u>	<u>373,355</u>
	\$ <u>1,464,443</u>	\$ <u>696,624</u>

The County had depreciation expense of \$422,677 for the year ended June 30, 2015 and total accumulated depreciation as of June 30, 2015 of \$6,338,856.

The County's fiscal year 2015 capital budget included \$958,899 for capital projects, principally for continued upgrading of secondary roads and bridges. The County has no plans to issue additional debt to finance these projects. Rather, the County will use resources on hand in the County's fund balance. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-term Liabilities

At June 30, 2015, the County had \$1,438,887 in long-term liabilities compared to \$2,182,644 at June 30, 2014, as shown below.

Outstanding Long-term Liabilities of Governmental Activities at Year-End

	June 30, <u>2015</u>	June 30, 2014, <u>As restated</u>
General obligation capital loan notes	\$ 87,530	\$ 251,148
Compensated absences	269,266	281,573
Net OPEB liability	147,462	113,730
Net pension liability	<u>934,629</u>	<u>1,536,193</u>
Totals	\$ <u>1,438,887</u>	\$ <u>2,182,644</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below its constitution debt limit of \$15,969,838. Other obligations include accrued vacation pay and sick leave, net pension liability and net OPEB liability. Additional information about the County's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Davis County, Iowa's elected and appointed officials and citizens considered many factors when setting the 2016 fiscal year budget, tax rates, and the fees charged for the various County activities. One of those factors is the economy. Unemployment in the County (as of June 2015) now stands at 3.8% versus 5.0% a year ago. This compares with the State's unemployment rate of 3.6% and the national rate of 5.3%.

Inflation in the State is lower than the national Consumer Price Index increase. The State's CPI decrease was 1.860% for the twelve month period ended June 2015 compared with the national increase of 0.293%.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are increasing by \$194,409 compared to the final fiscal year 2015 budget. Property and other County tax are expected to make up the majority of this increase. Budgeted disbursements are expected to decrease by \$639,365 compared to the final fiscal year 2015 budget. Decreases in capital projects and County environment and education expenditures represent the majority of the decrease. The County has added no major new programs or initiatives to the fiscal year 2016 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease \$578,642 by the close of fiscal year 2016.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Davis County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Davis County, Iowa Auditor's Office, 100 Courthouse Square, Bloomfield, Iowa.

BASIC FINANCIAL STATEMENTS

DAVIS COUNTY, IOWA

STATEMENT OF NET POSITION
JUNE 30, 2015Governmental
ActivitiesASSETS:

Cash, cash equivalents and pooled investments:

Held by County

\$ 3,314,418

Held by component unit treasurer

19,273

Receivables:

Property tax:

Delinquent

16,989

Succeeding year

3,290,457

Accounts

85,383

Due from other governments

317,564

Inventories

122,354

Prepaid expenses

83,791

Capital assets, net of accumulated depreciation

12,239,829

Total assets

19,490,058

DEFERRED OUTFLOWS OF RESOURCES:

Pension related deferred outflows

268,297

LIABILITIES:

Accounts payable

355,863

Salaries and benefits payable

54,763

Due to other governments

9,939

Long-term liabilities:

Portion due or payable within one year:

General obligation bonds

30,141

Compensated absences

269,266

Portion due or payable after one year:

General obligation bonds

57,389

Net OPEB liability

147,462

Net pension liability

934,629

Total liabilities

1,859,452

DEFERRED INFLOWS OF RESOURCES:

Unavailable property tax revenue

3,290,457

Pension related deferred inflows

556,025

Total deferred inflows of resources

3,846,482

NET POSITION:

Net investment in capital assets

12,152,299

Restricted for:

Supplemental levy

532,485

Mental health

491,950

Rural services

187,713

Secondary roads

1,401,441

Debt service

11,498

Other purposes

59,464

Unrestricted

(784,429)

Total net position

\$ 14,052,421

See Notes to Financial Statements

DAVIS COUNTY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues				Net
			Operating	Capital Grants,	(Expense)
			Grants,	Contributions	Revenue and
			Contributions	Contributions	Changes in
			and Restricted	and Restricted	Net Position
			Interest	Interest	
	Expenses	Charges for Service			
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Public safety and legal services	\$ 1,083,358	\$ 9,624	\$ 3,570	\$ -	\$ (1,070,164)
Physical health and social services	270,870	-	70,413	-	(200,457)
Mental health	332,250	11,636	-	-	(320,614)
County environment and education	449,458	44,247	23,511	-	(381,700)
Roads and transportation	3,780,644	192,404	2,688,749	1,224,080	324,589
Governmental services to residents	348,170	141,871	10,002	-	(196,297)
Administration	865,881	8,463	-	29,815	(827,603)
Interest on long-term debt	9,466	-	-	-	(9,466)
Total	\$ <u>7,140,097</u>	\$ <u>408,245</u>	\$ <u>2,796,245</u>	\$ <u>1,253,895</u>	<u>(2,681,712)</u>
GENERAL REVENUES:					
Property and other County tax levied for:					
General purposes					2,902,065
Debt service					67,459
Local option sales tax					514,726
Penalty and interest on property tax					40,963
State tax credits					245,749
Unrestricted investment earnings					16,775
Miscellaneous					<u>102,784</u>
Total general revenues					<u>3,890,521</u>
Change in net position					1,208,809
NET POSITION - Beginning of year, as restated					<u>12,843,612</u>
NET POSITION - End of year					\$ 14,052,421

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

See Notes to Financial Statements

<u>Secondary Roads</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 1,192,216	\$ 51,243	\$ 2,886,769
	19,273	19,273
-	143	16,989
	72,583	3,290,457
	446	19,307
286,628		317,564
122,354		122,354
<u>23,817</u>		<u>83,791</u>
\$ <u>1,625,015</u>	\$ <u>143,688</u>	\$ <u>6,756,504</u>
\$ 175,834	\$	\$ 255,468
9,939		9,939
<u>37,801</u>	<u>-</u>	<u>54,763</u>
<u>223,574</u>		<u>320,170</u>
	72,583	3,290,457
	<u>143</u>	<u>16,989</u>
	<u>72,726</u>	<u>3,307,446</u>
122,354		122,354
<u>23,817</u>		<u>83,791</u>
-		525,218
		10,532
		491,950
		160,991
		26,722
1,255,270		1,255,270
		90,166
	11,498	11,498
-	59,464	59,464
		2,687
		<u>288,245</u>
<u>1,401,441</u>	<u>70,962</u>	<u>3,128,888</u>
\$ <u>1,625,015</u>	\$ <u>143,688</u>	\$ <u>6,756,504</u>

DAVIS COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

TOTAL GOVERNMENTAL FUND BALANCES	\$	3,128,888
----------------------------------	----	-----------

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$18,578,685 and the accumulated depreciation is \$6,338,856.

12,239,829

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

393,330

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds.

16,989

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources	\$	268,297	
Deferred inflows of resources		<u>(556,025)</u>	(287,728)

Long-term liabilities, including general obligation debt, compensated absences, net pension liability and net OPEB liability, are not due and payable in the current period and, therefore, are not reported in the funds.

(1,438,887)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>15,491,308</u>
---	----	-------------------

DAVIS COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

		<u>Special Revenue</u>	
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>
<u>REVENUES:</u>			
Property and other County tax	\$ 1,626,010	\$ 380,226	\$ 891,752
Interest and penalty on property tax	40,963	-	-
Local option sales tax	-	-	257,363
Intergovernmental	231,947	32,874	68,288
Licenses and permits	793	-	-
Charges for service	164,433	-	-
Use of money and property	110,127	-	32
Miscellaneous	48,385	11,636	-
Total revenues	<u>2,222,658</u>	<u>424,736</u>	<u>1,217,435</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety and legal services	697,781	-	417,659
Physical health and social services	232,670	-	38,200
Mental health	-	333,421	-
County environment and education	163,677	-	269,199
Roads and transportation	-	-	-
Governmental services to residents	340,123	-	3,756
Administration	809,309	-	-
Debt service	-	-	-
Capital projects	83,989	-	-
Total expenditures	<u>2,327,549</u>	<u>333,421</u>	<u>728,814</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(104,891)</u>	<u>91,315</u>	<u>488,621</u>
Other financial sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>(130,000)</u>	<u>-</u>	<u>(724,846)</u>
Total other financing sources (uses)	<u>(130,000)</u>	<u>-</u>	<u>(724,846)</u>
Change in fund balances	(234,891)	91,315	(236,225)
<u>FUND BALANCES - Beginning of year</u>	<u>1,211,713</u>	<u>400,635</u>	<u>423,938</u>
<u>FUND BALANCES - End of year</u>	<u>\$ 976,822</u>	<u>\$ 491,950</u>	<u>\$ 187,713</u>

<u>Secondary Roads</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 67,551	\$ 2,965,539
-	-	40,963
257,363	-	514,726
3,220,671	18,278	3,572,058
2,683	-	3,476
30	1,703	166,166
-	49	110,208
190,187	29,915	280,123
<u>3,670,934</u>	<u>117,496</u>	<u>7,653,259</u>
-	2,626	1,118,066
-	-	270,870
-	-	333,421
-	3,482	436,358
3,301,804	-	3,301,804
-	2,136	346,015
-	-	809,309
-	173,083	173,083
845,007	29,903	958,899
<u>4,146,811</u>	<u>211,230</u>	<u>7,747,825</u>
<u>(475,877)</u>	<u>(93,734)</u>	<u>(94,566)</u>
754,846	100,000	854,846
-	-	(854,846)
<u>754,846</u>	<u>100,000</u>	<u>-</u>
278,969	6,266	(94,566)
<u>1,122,472</u>	<u>64,696</u>	<u>3,223,454</u>
\$ <u>1,401,441</u>	\$ <u>70,962</u>	\$ <u>3,128,888</u>

DAVIS COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (94,566)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 772,781	
Farm to market funds used to construct infrastructure	691,662	
Depreciation expense	<u>(422,677)</u>	1,041,766

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows in the governmental funds, as follows:

Property tax	3,985
--------------	-------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year debt proceeds and repayments are as follows:

Repaid	163,618
--------	---------

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflows of resources in the Statement of Net Position.

196,765

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	12,307	
Net OPEB liability	(33,732)	
Net pension liability	<u>(79,694)</u>	(101,119)

The Internal Service Fund is used by management to charge the costs of employee health benefits to the individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

(1,640)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,208,809

DAVIS COUNTY, IOWA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

Internal Service -
 Employee
Group Health

ASSETS:

Current assets:

Cash, cash equivalents and pooled investments

\$ 427,649

Receivables:

Accounts

66,076

TOTAL ASSETS 493,725

LIABILITIES:

Current liabilities:

Accounts payable

100,395NET POSITION:

Unrestricted

\$ 393,330

DAVIS COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

Internal Service -
Employee
Group Health

OPERATING REVENUES:

Charges to operating funds \$ 867,650

OPERATING EXPENSES:

Medical claims 650,171
Insurance premiums 174,364
Administration fees 26,780
Miscellaneous 20,726
Total operating expenses 872,041

Operating loss (4,391)

NON-OPERATING REVENUES:

Interest on investments 2,751

Net loss (1,640)

NET POSITION - Beginning of year 394,970

NET POSITION - End of year \$ 393,330

DAVIS COUNTY, IOWA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2015

Internal Service -
 Employee
Group Health

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from charges to other funds and employees
 Cash payments to suppliers for services

\$ 838,995
(861,212)
 (22,217)

NET CASH USED IN OPERATING ACTIVITIES

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments

2,751

NET DECREASE IN CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

(19,466)

CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - Beginning of year

447,115

CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - End of year

\$ 427,649

RECONCILIATION OF OPERATING LOSS TO NETCASH USED IN OPERATING ACTIVITIES:

Operating loss
 Adjustments to reconcile operating loss to net cash
 used in operating activities:
 Increase in accounts receivable
 Increase in accounts payable

\$ (4,391)

 (28,655)
10,829

Net cash used in operating activities

\$ (22,217)

DAVIS COUNTY, IOWA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2015

ASSETS

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,011,183
Other County officials	28,492
Receivables:	
Accounts receivable	9,261
Property tax receivable:	
Delinquent	29,182
Succeeding year	8,443,256
Due from other governments	131,277
Total assets	<u>9,652,651</u>

LIABILITIES

Accounts payable	199,727
Due to other governments	9,397,987
Salaries and benefits payable	8,724
Trusts payable	5,731
Compensated absences	40,482
Total liabilities	<u>9,652,651</u>

NET POSITION \$

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Davis County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Davis County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Davis County, Iowa (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Davis County Board of Supervisors. The drainage district is reported in the Special Revenue Rural Services Fund. Financial information of the drainage district can be obtained from the Davis County Auditor's office.

The Davis County Courthouse Preservation Fund is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Capital Projects Fund. This Fund has been incorporated under Chapter 504A of the Code of Iowa to receive grants and donations to be used to promote continued planning and implementation of projects consistent with historic preservation and restoration of the Davis County Courthouse and grounds.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Davis County Assessor's Conference Board, Davis County Law Enforcement Communication's Board and Davis County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

DAVIS COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Additionally, the County reports the following funds:

Proprietary Fund

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2014.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 150,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Infrastructure	10-65
Buildings and improvements	5-40
Equipment	5-20
Vehicles	5

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the proceeding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 724,846
	General Basic	30,000
		<u>754,846</u>
Debt Service	General Basic	<u>100,000</u>
Total		\$ <u>854,846</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,040,791	\$ -	\$ -	\$ 1,040,791
Construction in progress	<u>282,273</u>	<u>460,056</u>	<u>(282,273)</u>	<u>460,056</u>
Total capital assets not being depreciated	<u>1,323,064</u>	<u>460,056</u>	<u>(282,273)</u>	<u>1,500,847</u>
Capital assets being depreciated:				
Buildings	1,987,745	25,150	-	2,012,895
Equipment and vehicles	3,958,530	215,214	-	4,173,744
Infrastructure	<u>9,844,903</u>	<u>1,046,296</u>	<u>-</u>	<u>10,891,199</u>
Total capital assets being depreciated	<u>15,791,178</u>	<u>1,286,660</u>	<u>-</u>	<u>17,077,838</u>
Less accumulated depreciation for:				
Buildings	593,971	55,851	-	649,822
Equipment and vehicles	3,511,397	123,467	-	3,634,864
Infrastructure	<u>1,810,811</u>	<u>243,359</u>	<u>-</u>	<u>2,054,170</u>
Total accumulated depreciation	<u>5,916,179</u>	<u>422,677</u>	<u>-</u>	<u>6,338,856</u>
Total capital assets being depreciated, net	<u>9,874,999</u>	<u>863,983</u>	<u>-</u>	<u>10,738,982</u>
Governmental activities capital assets, net	\$ <u>11,198,063</u>	\$ <u>1,324,039</u>	\$ <u>(282,273)</u>	\$ <u>12,239,829</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 39,851
County environment and education	37,347
Roads and transportation	329,622
Administration	<u>15,857</u>
Total depreciation expense – governmental activities	\$ <u>422,677</u>

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2015 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue funds:		
Secondary Roads		\$ <u>9,939</u>
Total for Governmental funds		\$ <u>9,939</u>
Agency:		
Schools	Collections	\$ 5,066,112
Corporations		1,586,962
Area schools		298,552
Auto license and use tax		183,129
County assessor		334,114
Townships		225,596
Agricultural extension education		111,611
County watershed		26,098
E911		223,501
Law enforcement communications		157,499
County hospital		1,160,722
All other		<u>24,091</u>
Total for agency funds		\$ <u>9,397,987</u>

NOTE 6: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	<u>General Obligation Notes</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Net Pension Liability</u>	<u>Total</u>
Balance beginning of year, as restated	\$ 251,148	\$ 281,573	\$ 113,730	\$ 1,536,193	\$ 2,182,644
Increases	-	269,266	33,732	-	302,998
Decreases	<u>(163,618)</u>	<u>(281,573)</u>	<u>-</u>	<u>(601,564)</u>	<u>(1,046,755)</u>
Balance end of year	\$ <u>87,530</u>	\$ <u>269,266</u>	\$ <u>147,462</u>	\$ <u>934,629</u>	\$ <u>1,438,887</u>
Due within one year	\$ <u>30,141</u>	\$ <u>269,266</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>299,407</u>

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6: LONG-TERM LIABILITIES (Continued)

A summary of the County's June 30, 2015 general obligation indebtedness is as follows:

Year Ending June 30,	Southern Iowa Electric, Cooperative Inc. Note Issued September 9, 2011			General Obligation Capital Loan Note Issued August 23, 2011			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	2.00%	\$ 9,787	\$ 1,296	4.50%	\$ 20,354	\$ 916	\$ 30,141	\$ 2,212	\$ 32,353
2017	2.00	9,984	1,099	-	-	-	9,984	1,099	11,083
2018	2.00	10,184	899	-	-	-	10,184	899	11,083
2019	2.00	10,389	694	-	-	-	10,389	694	11,083
2020	2.00	10,598	485	-	-	-	10,598	485	11,083
2021-2022	2.00	16,234	327	-	-	-	16,234	327	16,561
		\$ 67,176	\$ 4,800		\$ 20,354	\$ 916	\$ 87,530	\$ 5,716	\$ 93,246

During the year ended June 30, 2015, the County retired \$163,618 of debt.

NOTE 7: PENSION PLAN

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7: PENSION PLAN (Continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the County contributed 8.93 percent for a total rate of 14.88 percent. Sheriff and deputy members and the County both contributed 9.88 percent of pay for a total rate of 19.76 percent. Protection occupation members contributed 6.76 percent of pay and the County contributed 10.14 percent for a total rate of 16.90 percent.

The County's contributions to IPERS for the year ended June 30, 2015 were \$196,765.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the County reported a liability of \$934,629 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's collective proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was .0235666 percent, which was a decrease of .003189 percent from their collective proportion measured as of June 30, 2013.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7: PENSION PLAN (Continued)

For the year ended June 30, 2015, the County recognized pension expense of \$79,693. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,841	\$ 15,485
Changes of assumptions	44,024	13,135
Net difference between projected and actual earnings on pension plan investments	-	527,040
Changes in proportion and differences between County contributions and proportionate share of contributions	16,667	365
County contributions subsequent to the measurement date	<u>196,765</u>	<u>-</u>
Total	\$ <u>268,297</u>	\$ <u>556,025</u>

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7: PENSION PLAN (Continued)

\$196,765 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Total</u>
2016	\$ (121,818)
2017	(121,818)
2018	(121,818)
2019	(121,818)
2020	<u>2,779</u>
	\$ <u>(484,493)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31 %
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100</u> %	

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7: PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability (asset):	\$ 2,135,591	\$ 934,629	\$ (78,070)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the County reported no payables to the defined benefit pension plan.

NOTE 8: RISK MANAGEMENT

Davis County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of the total current members' basis rate.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8: RISK MANAGEMENT (Continued)

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2015 were \$123,863.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhaust the Pool's funds, and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$50,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant. The agreement is subject to automatic renewal provisions. The County purchases commercial insurance to provide for aggregate stop loss coverage for the excess of 125% of estimated claims for the plan year and specific stop loss coverage for the excess of \$25,000 in insured claims for any one covered individual and \$25,000 aggregating specific deductible for claims over the individual specific deductible. The County assumes liability for claims up to the individual stop loss limitation of \$25,000 and the aggregating stop loss limitation of \$25,000.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9: EMPLOYEE HEALTH INSURANCE PLAN (Continued)

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2015 was \$867,650.

Amounts payable from the Employee Group Health Fund at June 30, 2015 total \$100,395 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$393,330 at June 30, 2015 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 89,566
Incurred claims (including claims incurred but not reported at June 30, 2015)	650,171
Payments:	
Payments on claims during the fiscal year	(639,342)
Unpaid claims end of year	\$ <u>100,395</u>

NOTE 10: CONSTRUCTION CONTRACT COMMITMENTS

Prior to June 30, 2015 the County had signed construction contracts that are summarized below:

Total commitments	\$ 543,462
Less amounts paid or accrued	<u>460,056</u>
Remaining commitments	\$ <u>83,406</u>

The remaining balance at June 30, 2015 will be paid as work on the projects progress.

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 52 active members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self funded medical plan administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 75,892
Interest on net OPEB obligation	4,549
Adjustment to annual required contribution	<u>(2,426)</u>
Annual OPEB cost	78,015
Contributions made	<u>(44,283)</u>
Increase in net OPEB obligation	33,732
Net OPEB obligation beginning of year	<u>113,730</u>
Net OPEB obligation end of year	\$ <u>147,462</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the County contributed \$44,283 to the medical plan.

The County's Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	\$ <u>75,905</u>	58.34%	\$ <u>80,616</u>
2014	\$ <u>77,397</u>	57.22%	\$ <u>113,730</u>
2015	\$ <u>78,015</u>	56.76%	\$ <u>147,462</u>

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$556,747 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$556,747. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,232,094 and the ratio of the UAAL to covered payroll was 24.94%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of the sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

As of the July 1, 2012 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Combined Mortality Table using scale AA.

Projected claim costs of the medical plan are \$809 per month for retirees and \$1,298 for retirees and their spouses. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 12: COUNTY CARE FACILITY

The management and operation of the Davis County Care Facility is provided by ResCare, Inc. The County leases the Care Facility site to ResCare, Inc., under an agreement whereby the County is to reimburse ResCare, Inc., monthly for service provided on a per patient basis. ResCare, Inc. is responsible for normal operating and maintenance costs. The County is responsible for major repairs to the facility and equipment. ResCare, Inc. pays the County a monthly fee based on Intermediate Care Facility resident days and Resident Care Facility resident days. During the year ended June 30, 2015 the County received \$54,201 from ResCare, Inc.

NOTE 13: DAVIS COUNTY, IOWA FINANCIAL INFORMATION INCLUDED IN THE MENTAL HEALTH REGION

South Central Behavioral Health, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective March 19, 2014, includes the following member counties: Wapello, Appanoose and Davis County, Iowa. The financial activity of Davis County, Iowa's Special Revenue, Mental Health Fund is included in the South Central Behavioral Health region for the year ended June 30, 2015 as follows:

Revenues:		
Property and other county tax	\$	380,226
Intergovernmental revenues:		
State tax credits	\$	32,808
Social services block grant		<u>66</u>
Miscellaneous		<u>11,636</u>
Total revenues		<u>424,736</u>
Expenditures:		
Services to persons with:		
Mental illness		75,043
Intellectual disability		<u>49,994</u>
General administration		
Direct administration		39,049
Distribution to regional fiscal agent		<u>169,335</u>
Total expenditures		<u>333,421</u>
Excess of revenues over expenditures		91,315
Fund balance beginning of the year		<u>400,635</u>
Fund balance end of the year	\$	<u>491,950</u>

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14: RELATED PARTY TRANSACTIONS

The County had business transactions between the County and County officials totaling \$20,889 during the year ended June 30, 2015.

NOTE 15: ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$ 14,183,040
Net pension liability at June 30, 2014	(1,536,193)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>196,765</u>
Net position June 30, 2014, as restated	\$ <u>12,843,612</u>

NOTE 16: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2014 have been reclassified to conform with the June 30, 2015 presentation.

NOTE 17: SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 25, 2016, the date the financial statements were available to be issued.

In November 2015, the County began the process of issuing \$5,800,000 of general obligation bonds related to the upcoming Law Center project. In January 2016, the County approved contracts related to this project for \$4,668,701.

REQUIRED SUPPLEMENTARY INFORMATION

DAVIS COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

		Less Funds Not Required			Budgeted Amounts		Final to Net
	Actual	To Be Budgeted	Net	Original	Final	Variance	
RECEIPTS:							
Property and other County tax	\$ 3,481,094	\$ -	\$ 3,481,094	\$ 3,438,822	\$ 3,460,822	\$ 20,272	
Interest and penalty on property tax	40,963	-	40,963	38,589	38,589	2,374	
Intergovernmental	3,634,470	-	3,634,470	3,093,619	3,599,537	34,933	
Licenses and permits	4,449	-	4,449	1,298	1,298	3,151	
Charges for service	173,901	-	173,901	188,140	188,140	(14,239)	
Use of money and property	111,503	-	111,503	109,327	109,327	2,176	
Miscellaneous	233,899	29,815	204,084	201,891	243,888	(39,804)	
Total receipts	<u>7,680,279</u>	<u>29,815</u>	<u>7,650,464</u>	<u>7,071,686</u>	<u>7,641,601</u>	<u>8,863</u>	
DISBURSEMENTS:							
Public safety and legal services	1,097,687	-	1,097,687	1,225,253	1,258,058	160,371	
Physical health and social services	273,912	-	273,912	396,661	396,661	122,749	
Mental health	336,926	-	336,926	398,063	448,063	111,137	
County environment and education	433,646	-	433,646	365,906	868,474	434,828	
Roads and transportation	3,365,808	-	3,365,808	3,487,120	3,642,120	276,312	
Governmental services to residents	345,899	-	345,899	360,553	368,553	22,654	
Administration	809,530	-	809,530	931,366	913,510	103,980	
Non-program	23,205	-	23,205	35,493	145,493	122,288	
Debt Service	173,083	-	173,083	73,085	173,085	2	
Capital projects	811,692	29,903	781,789	460,000	840,000	58,211	
Total disbursements	<u>7,671,388</u>	<u>29,903</u>	<u>7,641,485</u>	<u>7,733,500</u>	<u>9,054,017</u>	<u>1,412,532</u>	
Excess (deficiency) of receipts over (under) disbursements	8,891	(88)	8,979	(661,814)	(1,412,416)	1,421,395	
BALANCE - Beginning of year	<u>2,851,156</u>	<u>19,361</u>	<u>2,831,795</u>	<u>2,651,518</u>	<u>2,651,518</u>	<u>180,277</u>	
BALANCE - End of year	<u>\$ 2,860,047</u>	<u>\$ 19,273</u>	<u>\$ 2,840,774</u>	<u>\$ 1,989,704</u>	<u>\$ 1,239,102</u>	<u>\$ 1,601,672</u>	

DAVIS COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 7,680,279	\$ (27,020)	\$ 7,653,259
Expenditures	<u>7,671,388</u>	<u>76,437</u>	<u>7,747,825</u>
Net	8,891	(103,457)	(94,566)
Beginning fund balance	<u>2,851,156</u>	<u>372,298</u>	<u>3,223,454</u>
Ending fund balance	\$ <u>2,860,047</u>	\$ <u>268,841</u>	\$ <u>3,128,888</u>

DAVIS COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2015

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$1,230,517. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

DAVIS COUNTY, IOWA

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
County's proportion of the net pension liability	0.023567 %
County's proportionate share of the net pension liability	\$ 934,629
County's covered-employee payroll	\$ 2,069,750
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	45.16 %
Plan fiduciary net position as a percentage of the total pension liability	87.61 %

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

DAVIS COUNTY, IOWA

SCHEDULE OF COUNTY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 2 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 209,702	\$ 196,765
Contributions in relation to the statutorily required contribution	<u>(209,702)</u>	<u>(196,765)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>
County's covered-employee payroll	\$ 2,285,788	\$ 2,069,750
Contributions as a percentage of covered-employee payroll	9.17 %	9.51 %

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

DAVIS COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

DAVIS COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	July 1, 2009	\$ <u> -</u>	\$ <u>164,000</u>	\$ <u>164,000</u>	0.00%	\$ <u>1,702,000</u>	9.60%
2011	July 1, 2009	\$ <u> -</u>	\$ <u>164,000</u>	\$ <u>164,000</u>	0.00%	\$ <u>1,760,000</u>	9.30%
2012	July 1, 2009	\$ <u> -</u>	\$ <u>164,338</u>	\$ <u>164,338</u>	0.00%	\$ <u>2,024,088</u>	8.12%
2013	July 1, 2012	\$ <u> -</u>	\$ <u>556,747</u>	\$ <u>556,747</u>	0.00%	\$ <u>1,982,433</u>	28.08%
2014	July 1, 2012	\$ <u> -</u>	\$ <u>556,747</u>	\$ <u>556,747</u>	0.00%	\$ <u>2,189,734</u>	25.43%
2015	July 1, 2012	\$ <u> -</u>	\$ <u>556,747</u>	\$ <u>556,747</u>	0.00%	\$ <u>2,232,094</u>	24.94%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

DAVIS COUNTY, IOWA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue		
	County Recorder's Records Management	REAP	Sheriff Forfeiture
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments:			
Held by County	\$ 2,788	\$ 32,391	\$ 4,566
Held by component unit treasurer	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	444	2	-
	<u>444</u>	<u>2</u>	<u>-</u>
TOTAL ASSETS	\$ <u>3,232</u>	\$ <u>32,393</u>	\$ <u>4,566</u>
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Unavailable resources:			
Succeeding year property tax	\$ -	\$ -	\$ -
Other	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES:</u>			
Restricted for:			
Debt service	-	-	-
Other purposes	3,232	32,393	4,566
Total fund balances	<u>3,232</u>	<u>32,393</u>	<u>4,566</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>3,232</u>	\$ <u>32,393</u>	\$ <u>4,566</u>

<u>Debt Service</u>	<u>Capital Projects Davis County Courthouse Preservation</u>	<u>Total</u>
\$ 11,498	\$ -	\$ 51,243
-	19,273	19,273
143	-	143
72,583	-	72,583
-	-	446
\$ 84,224	\$ 19,273	\$ 143,688
\$ 72,583	\$ -	\$ 72,583
143	-	143
72,726	-	72,726
11,498	-	11,498
-	19,273	59,464
11,498	19,273	70,962
\$ 84,224	\$ 19,273	\$ 143,688

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Special Revenue</u>			
	<u>County Recorder's Records Management</u>	<u>REAP</u>	<u>Sheriff Forfeiture</u>	<u>Debt Service</u>
<u>REVENUES:</u>				
Property and other County tax	\$ -	\$ -	\$ -	\$ 67,551
Intergovernmental	-	12,375	-	5,903
Charges for service	1,703	-	-	-
Use of money and property	2	36	11	-
Miscellaneous	-	-	100	-
Total revenues	<u>1,705</u>	<u>12,411</u>	<u>111</u>	<u>73,454</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety and legal services	-	-	2,626	-
County environment and education	-	3,482	-	-
Governmental services to residents	2,136	-	-	-
Debt service	-	-	-	173,083
Capital projects	-	-	-	-
Total expenditures	<u>2,136</u>	<u>3,482</u>	<u>2,626</u>	<u>173,083</u>
Excess (deficiency) of revenues over (under) expenditures	(431)	8,929	(2,515)	(99,629)
Other financing sources:				
Operating transfers in	-	-	-	100,000
Change in fund balances	(431)	8,929	(2,515)	371
<u>FUND BALANCES</u> - Beginning of year	<u>3,663</u>	<u>23,464</u>	<u>7,081</u>	<u>11,127</u>
<u>FUND BALANCES</u> - End of year	\$ <u>3,232</u>	\$ <u>32,393</u>	\$ <u>4,566</u>	\$ <u>11,498</u>

Capital Projects Davis County Courthouse Preservation		Total
\$		\$ 67,551
		18,278
		1,703
		49
	29,815	29,915
	29,815	117,496
	-	2,626
		3,482
	-	2,136
		173,083
	29,903	29,903
	29,903	211,230
	(88)	(93,734)
	-	100,000
	(88)	6,266
	19,361	64,696
\$	19,273	\$ 70,962

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2015

	<u>County Offices</u>	
	<u>County Recorder</u>	<u>County Sheriff</u>
<u>ASSETS</u>		
Cash, cash equivalents and pooled investments:		
County Treasurer	\$ -	\$ -
Other County officials	22,761	5,731
Receivables:		
Accounts receivable	-	-
Property tax:		
Delinquent	-	-
Succeeding year	-	-
Due from other governments	-	-
	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>22,761</u>	\$ <u>5,731</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Due to other governments	22,761	-
Salaries and benefits payable	-	-
Trusts payable	-	5,731
Compensated absences	-	-
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	\$ <u>22,761</u>	\$ <u>5,731</u>

<u>E911</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Corporations</u>	<u>Townships</u>	<u>Schools</u>	<u>Area Schools</u>
\$ 197,420	\$ 22	\$ 36,766	\$ 4,864	\$ 106,277	\$ 6,349
-	-	-	-	-	-
9,117	-	-	-	-	-
-	2	17,660	179	8,459	490
-	1,020	1,532,536	220,553	4,951,376	291,713
<u>20,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>226,701</u>	\$ <u>1,044</u>	\$ <u>1,586,962</u>	\$ <u>225,596</u>	\$ <u>5,066,112</u>	\$ <u>298,552</u>
\$ 3,200	\$ -	\$ -	\$ -	\$ -	\$ -
223,501	1,044	1,586,962	225,596	5,066,112	298,552
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>226,701</u>	\$ <u>1,044</u>	\$ <u>1,586,962</u>	\$ <u>225,596</u>	\$ <u>5,066,112</u>	\$ <u>298,552</u>

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2015

	<u>Law Enforcement Communications</u>	<u>County Assessor</u>
<u>ASSETS</u>		
Cash and pooled investments:		
County Treasurer	\$ 201,553	\$ 138,713
Other County officials	-	-
Receivables:		
Accounts receivable	-	-
Property tax:		
Delinquent	-	341
Succeeding year	-	202,353
Due from other governments	-	-
	<u>201,553</u>	<u>341,407</u>
TOTAL ASSETS	\$ <u>201,553</u>	\$ <u>341,407</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 2,141	\$ -
Due to other governments	157,499	334,114
Salaries and benefits payable	8,724	-
Trusts payable	-	-
Compensated absences	<u>33,189</u>	<u>7,293</u>
	<u>201,553</u>	<u>341,407</u>
TOTAL LIABILITIES	\$ <u>201,553</u>	\$ <u>341,407</u>

Schedule 3
(Continued)

<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>County Hospital</u>	<u>County Watershed</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 2,021	\$ 183,129	\$ 24,556	\$ 109,371	\$ 142	\$ 1,011,183
			-		28,492
				144	9,261
156		1,895			29,182
109,434		1,134,271			8,443,256
			111,113		131,277
<u>\$ 111,611</u>	<u>\$ 183,129</u>	<u>\$ 1,160,722</u>	<u>\$ 220,484</u>	<u>\$ 286</u>	<u>\$ 9,652,651</u>
\$ -	\$ -	\$ -	\$ 194,386	\$ -	\$ 199,727
111,611	183,129	1,160,722	26,098	286	9,397,987
-					8,724
-					5,731
-					40,482
<u>\$ 111,611</u>	<u>\$ 183,129</u>	<u>\$ 1,160,722</u>	<u>\$ 220,484</u>	<u>\$ 286</u>	<u>\$ 9,652,651</u>

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2015

	<u>County Offices</u>	
	<u>County Recorder</u>	<u>County Sheriff</u>
Balances beginning of year	\$ <u>22,387</u>	\$ <u>479</u>
Additions:		
Property and other County tax	-	-
E911 surcharge	-	-
State tax credits	-	-
Reimbursements	-	-
Office fees and collections	165,902	-
Auto licenses, use tax and postage	-	-
Trusts	-	90,647
Miscellaneous	-	-
Total additions	<u>165,902</u>	<u>90,647</u>
Deductions:		
Agency remittances:		
To other funds	56,777	-
To other governments	108,751	-
Trusts paid out	-	85,395
Total deductions	<u>165,528</u>	<u>85,395</u>
Balances end of year	\$ <u>22,761</u>	\$ <u>5,731</u>

<u>County Auditor</u>	<u>E911</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Corporations</u>	<u>Townships</u>	<u>Schools</u>	<u>Area Schools</u>
\$ -	\$ 175,756	\$ 1,028	\$ 1,446,317	\$ 222,833	\$ 4,970,665	\$ 294,770
-	-	954	1,404,620	207,558	4,623,547	272,408
-	19,230	-	-	-	-	-
-	-	81	156,996	15,520	393,329	23,313
-	198,438	-	-	-	-	-
811	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	317	-	6,085	-	-	-
811	217,985	1,035	1,567,701	223,078	5,016,876	295,721
811	-	-	-	-	-	-
-	167,040	1,019	1,427,056	220,315	4,921,429	291,939
-	-	-	-	-	-	-
811	167,040	1,019	1,427,056	220,315	4,921,429	291,939
\$ -	\$ 226,701	\$ 1,044	\$ 1,586,962	\$ 225,596	\$ 5,066,112	\$ 298,552

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Law Enforcement Communications</u>	<u>County Assessor</u>	<u>Agricultural Extension Education</u>
Balances beginning of year	\$ <u>144,863</u>	\$ <u>320,099</u>	\$ <u>94,146</u>
Additions:			
Property and other County tax	-	188,913	103,271
E911 surcharge	-	-	-
State tax credits	-	16,184	7,422
Reimbursements	468,502	-	-
Office fees and collections	-	467	-
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	-
Miscellaneous	-	2,240	-
Total additions	<u>468,502</u>	<u>207,804</u>	<u>110,693</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	411,812	186,496	93,228
Trusts paid out	-	-	-
Total deductions	<u>411,812</u>	<u>186,496</u>	<u>93,228</u>
Balances end of year	\$ <u><u>201,553</u></u>	\$ <u><u>341,407</u></u>	\$ <u><u>111,611</u></u>

Auto License and Use Tax	County Hospital	County Watershed	County Recorder's Electronic Transaction Fee	Tax Sale Redemption	Total
\$ 187,752	\$ 1,143,669	\$ 39,348	\$ 132	\$ -	\$ 9,064,244
-	1,059,400	-	-	-	7,860,671
-	-	-	-	-	19,230
-	90,161	-	-	-	703,006
-	-	557,200	-	-	1,224,140
-	-	-	1,855	-	169,035
2,377,879	-	-	-	-	2,377,879
-	-	-	-	-	90,647
-	-	60,000	-	129,288	197,930
2,377,879	1,149,561	617,200	1,855	129,288	12,642,538
85,226	-	-	-	-	142,814
2,297,276	1,132,508	436,064	1,701	-	11,696,634
-	-	-	-	129,288	214,683
2,382,502	1,132,508	436,064	1,701	129,288	12,054,131
\$ 183,129	\$ 1,160,722	\$ 220,484	\$ 286	\$ -	\$ 9,652,651

DAVIS COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>REVENUES:</u>			
Property and other County tax	\$ 2,965,539	\$ 2,921,488	\$ 2,249,536
Local option sales tax	514,726	523,457	472,656
Interest and penalty on property tax	40,963	40,865	37,042
Intergovernmental	3,572,058	3,520,666	3,229,489
Licenses and permits	3,476	2,253	1,353
Charges for service	166,166	174,104	189,245
Use of money and property	110,208	123,255	108,940
Miscellaneous	280,123	333,744	212,176
	<hr/>	<hr/>	<hr/>
Total	\$ <u>7,653,259</u>	\$ <u>7,639,832</u>	\$ <u>6,500,437</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety and legal services	\$ 1,118,066	\$ 1,130,902	\$ 1,000,763
Physical health and social services	270,870	302,027	361,895
Mental health	333,421	417,655	194,958
County environment and education	436,358	425,776	385,639
Roads and transportation	3,301,804	3,412,373	3,639,913
Governmental services to residents	346,015	335,800	334,722
Administration	809,309	788,462	745,881
Non-program	-	-	-
Debt service	173,083	173,083	163,083
Capital projects	958,899	644,709	61,699
	<hr/>	<hr/>	<hr/>
Total	\$ <u>7,747,825</u>	\$ <u>7,630,787</u>	\$ <u>6,888,553</u>

* Included with property and other county tax

Modified Accrual Basis						
2012	2011	2010	2009	2008	2007	2006
\$ 3,081,335	\$ 3,380,691	\$ 3,200,731	\$ 3,300,824	\$ 2,921,282	\$ 2,853,978	\$ 2,876,582
35,120	40,269	36,845	35,634	37,182	38,710	40,268
3,281,207	3,815,654	3,186,596	3,141,865	3,312,765	3,226,257	2,689,951
650	530	679	921	1,243	1,126	728
175,776	178,010	161,984	155,828	180,056	163,077	166,870
118,873	144,488	135,639	149,307	196,634	200,394	176,484
<u>923,699</u>	<u>256,515</u>	<u>367,314</u>	<u>507,350</u>	<u>262,982</u>	<u>176,031</u>	<u>173,177</u>
\$ <u>7,616,660</u>	\$ <u>7,816,157</u>	\$ <u>7,089,788</u>	\$ <u>7,291,729</u>	\$ <u>6,912,144</u>	\$ <u>6,659,573</u>	\$ <u>6,124,060</u>
\$ 1,031,977	\$ 1,024,181	\$ 946,948	\$ 970,405	\$ 872,141	\$ 800,020	\$ 818,696
312,477	223,789	208,488	211,995	217,318	230,039	233,142
844,830	707,002	618,031	858,367	843,374	833,763	710,395
405,342	305,829	317,435	342,367	262,911	325,302	289,375
3,805,399	3,790,030	2,831,669	3,215,153	2,909,254	2,834,286	3,040,511
255,644	315,808	319,976	316,655	293,255	284,501	403,692
873,921	784,241	953,235	846,335	837,023	671,666	710,708
67,542	11,912	20,298	23,690	10,519	50,835	25,310
<u>1,464,888</u>	<u>325,132</u>	<u>149,570</u>		<u>34,269</u>	<u>392,940</u>	<u>244,577</u>
\$ <u>9,062,020</u>	\$ <u>7,487,924</u>	\$ <u>6,365,650</u>	\$ <u>6,784,967</u>	\$ <u>6,280,064</u>	\$ <u>6,423,352</u>	\$ <u>6,476,406</u>

DAVIS COUNTY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

	<u>CFDA Number</u>	<u>Program Expenditures</u>
GRANTOR/PROGRAM:		
<u>INDIRECT:</u>		
Department of Agriculture:		
Iowa Department of Human Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 5,584
Department of Housing and Urban Development:		
Iowa Economic Development Authority:		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	446,087
Department of Health and Human Services:		
Iowa Department of Human Services:		
Immunization Cooperative Agreements	93.268	10,269
Refugee and Entrant Assistance - State Administered Programs	93.566	11
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,442
Foster Care - Title IV-E	93.658	2,138
Adoption Assistance	93.659	676
Social Services Block Grant	93.667	1,721
Children's Health Insurance Program	93.767	34
Medical Assistance Program	93.778	10,522
Department of Homeland Security:		
Iowa Homeland Security and Emergency Management:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	17,249
Department of Transportation:		
Iowa Department of Transportation:		
Highway Planning and Construction	20.205	425,934
State and Community Highway Safety	20.600	3,142
Total		\$ 924,809

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal activity of Davis County, Iowa and is presented in the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Elected Officials of
Davis County, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Davis County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Davis County, Iowa's basic financial statements and have issued our report thereon dated January 25, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Davis County, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Davis County, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Davis County, Iowa's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 15-II-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis County, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Davis County, Iowa's Response to Findings

Davis County, Iowa's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Davis County, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
January 25, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Elected Officials of
Davis County, Iowa

Report on Compliance for Each Major Federal Program

We have audited Davis County, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Davis County, Iowa's major federal programs for the year ended June 30, 2015. Davis County, Iowa's major federal program is identified in part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Davis County, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Davis County, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, Davis County, Iowa, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control over Compliance

Management of Davis County, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Davis County, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davis County, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 15-III-A to be a significant deficiency.

Davis County, Iowa's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Davis County, Iowa's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
January 25, 2016

DAVIS COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results

- a. Unmodified opinions were issued on the financial statements.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements.
- e. An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major programs were CFDA Numbers: 20.205 Highway Planning and Construction
14.228 Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Davis County, Iowa did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

15-II-A Segregation of Duties – During our review of the internal control structure, the existing procedures were evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating control exists:

- | | <u>Applicable
Offices</u> |
|---|--|
| 1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. | Ag Extension,
Recorder, Sheriff,
Treasurer |
| 2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash. | Ag Extension
Recorder, Sheriff,
Treasurer |
| 3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing the checks or warrants, the supporting documentation should be reviewed for propriety. After signing the checks or warrants, they should be mailed without allowing them to return to individuals who prepared the checks or warrants or approved vouchers for payment. | Recorder, Sheriff,
Treasurer |

DAVIS COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements (Continued)

INTERNAL CONTROL DEFICIENCIES (Continued)

Segregation of Duties (Continued)

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such review should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of review.

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

U.S. Department of Housing and Urban Development

Passed through the Iowa Economic Development Authority

CFDA Number 20.205: Highway Planning and Construction

Pass-through Numbers: BROS – C026 (85) – 8J – 26 and BROS – C026 (70) – 8J – 26

U.S. Department of Transportation

Passed through the Iowa Department of Transportation

- 15-III-A Segregation of Duties over Federal Receipts and Disbursement – The County did not properly segregate collection, deposit, disbursement and record-keeping for receipts and disbursements, including those related to federal programs. See item 15-II-A.

DAVIS COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting

- 15-IV-A Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.

The County amended its budget in May 2015 (amendment number two). In June 2015, an additional amendment was made (amendment number three). When this amendment was approved and published, the County mistakenly used a different amount as the beginning balance for the County Environment and Education function. Per amendment number two the amount listed was \$873,474 and the amount used as the beginning balance on amendment number three was \$868,474.

Recommendation – The budget should have been amended using the prior amendment amounts as the beginning balances.

Response – We will do so in the future.

Conclusion – Response accepted.

- 15-IV-B Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion date April 25, 1979.

- 15-IV-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- 15-IV-D Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Pam Martin, Deputy Auditor, Spouse is Owner of Martin Oil	Oil and fuel	\$20,889

The above transaction does not represent a conflict of interest due to the limited number of suppliers and regular rotation of such suppliers.

- 15-IV-E Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.

- 15-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

- 15-IV-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

- 15-IV-H Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- 15-IV-I County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2015 for the County Extension Office did not exceed the amount budgeted.